The Journal of Portfolio Management

On Arrogance, Amalgams, and Goofs

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Frank Fabozzi and I recently had a real shocker. An occasional academic contributor to this Journal wrote to ask whether we send articles for review only to academic referees or whether we depend upon practitioners as well as academics. According to our contributor, his colleagues believe that journals using only academics as referees are more prestigious than journals using both sources.

Frank, a former full-time professor of finance who still spends part of his time as a visiting professor, responded in part as follows: "A good number are refereed by non-academics—you know the type, doctorates from major universities, gave up tenure and sometimes endowed chairs at top-tier universities, people who thought making $1 million-plus a year was better than teaching.... The arrogance of your colleagues!"

With less eloquence perhaps, I would go further. The very purpose of this Journal, announced in its maiden issue of Fall 1974, has been to launch and sustain a dialogue between academics and practitioners at a time when the two groups viewed each other with disdain. We are proud of our contribution toward the mutual respect and interest that prevails almost everywhere today. Frank and I personify the amalgam we seek, for my academic experience is limited to one year at Williams College, while I have been a practitioner for almost 50 years. Indeed, any effort to push *The Journal of Portfolio Management* in one direction or the other would be to destroy our entire purpose.

But I can go even further. Our ultimate responsibility is to our readers, who might well be losers if we were to restrict our referees to people in academe. The track record of such referees is not enviable.

When Nobel Laureate Harry Markowitz was defending his dissertation on mean-variance nearly 50 years ago, Milton Friedman declared that Markowitz's ideas were not economics, not math, not even business administration. Bill Sharpe recently reported that his seminal article on CAPM, which won him the Nobel Prize, was rejected when first submitted to a journal in 1962.[*] The original Black-Scholes paper on option valuation was returned to the authors by both Chicago's *Journal of Political Economy* and Harvard's *Review of Economic Statistics*; it finally appeared in the JPE only after Eugene Fama and Merton Miller put irresistible pressure on the editors. Fischer Black himself departed the university life in 1984 and marched down to Wall Street to become a partner at Goldman, Sachs—without any visible loss of intellectual ability or influence.

The procession in that direction continues unabated, but the movement is not just one-way. Most leading professors of finance enjoy productive consulting relationships with major practitioner organizations.

Frank's use of the word arrogance is well-chosen. The thesaurus in my computer provides synonyms for arrogance such as conceit, smugness, pomposity, and hubris. To my knowledge, such attributes are exceptionally rare among academics in finance, thank goodness. Were that not the case, Frank and I would be spending our time elsewhere, and this Journal would no longer provide what we hope is a constructive service to academics and practitioners alike.

[*] *AIMR Exchange*, September/October 2000, p. 18.